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SALT RIVER PROJECT

P. O. Box 52025
Phoenix, AZ 85072-2025
(602) 236-5262
Fax (602) 236-3458
kjbarr@srpnet.com

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AZ CORP COMMISSION
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KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

April 29, 2005

Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason
Commissioner Kristin K. Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

APR 29 2005

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Re: Docket No. L-00000B-00-0105, Decision No. 63611

Dear Commissioners:

Enclosed please find SRP's fourteenth quarterly report on the status of the Santan project. This report provides up-to-date information and documentation on the status of SRP's efforts to comply with each condition contained in the Certificate of Environmental Compatibility (CEC).

As always, please feel free to contact me if you have any additional questions or concerns.

Sincerely,


Kelly J. Barr

Enc.

cc: Lyn Farmer, Chief Administrative Law Judge (via Docket Control distribution)
Ernest Johnson, Utilities Director (via Docket Control distribution)
Brian Bozzo, Compliance and Enforcement Mgr. (via Docket Control distribution)
Chris Kempley, Legal Director (via Docket Control distribution)
Brian McNeil, Executive Secretary
Docket Control – original plus 25 copies

Richard H. Silverman, General Manager
Richard M. Hayslip, Manager, Environmental, Land, Risk Management & Telecom

QUARTERLY UPDATE

1 **BEFORE THE ARIZONA POWER PLANT**
2 **AND TRANSMISSION LINE SITING COMMITTEE**

3 In the matter of the Application of Salt)
4 River Project Agricultural Improvement and)
5 Power District in conformance with the)
6 requirements of Arizona Revised Statutes)
7 Sections 40-360-03 and 40-360.06, for a)
8 Certificate of Environmental Compatibility)
9 authorizing the Expansion of its Santan)
10 Generating Station, located at the intersection)
11 of Warner Road and Val Vista Drive,)
12 in Gilbert, Arizona, by adding 825 megawatts)
13 of new capacity in the form of three combined)
14 cycle natural gas units, and associated)
15 intraplant transmission lines.)
16 _____)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

17 **CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY**

18 Pursuant to notice given as provided by law, the Arizona Power Plant and
19 Transmission Line Siting Committee (the "Committee") held public hearings at the
20 Dobson Ranch Inn, 1644 South Dobson Road, Mesa, Arizona, on September 14, 2000,
21 and various days following, in conformance with the requirements of Arizona Revised
22 Statutes section 40-360 *et seq.*, for the purpose of receiving evidence and deliberating
23 on the Application of Salt River Project Agricultural Improvement and Power District
24 ("Applicant") for a Certificate of Environmental Compatibility in the above-captioned
25 case (the "Application").

 The following members or designees of members of the Committee were present
for the hearing on the Application:

Paul A. Bullis Chairman, Designee for Arizona Attorney General Janet
Napolitano

Steve Olea Designee of Chairman of the Arizona Corporation
Commission

1 Richard Tobin Designee for the Arizona Department of Environmental
2 Quality

3 Dennis Sundie Designee for the Director of the Department of Water
4 Resources

5 Mark McWhirter Designee for the Director of the Energy Office of the Arizona
6 Department of Commerce

7 George Campbell Appointed Member

8 Jeff McGuire Appointed Member

9 A. Wayne Smith Appointed Member

10 Sandie Smith Appointed Member

11 Mike Whalen Appointed Member

12 The Applicant was represented by Kenneth C. Sundlof, Jr., Jennings, Strouss &
13 Salmon PLC. There were seventeen intervenors: Arizona Utilities Investor Association,
14 by Ray Heyman; Arizona Corporation Commission Staff, by Janice Alward; Arizona
15 Center for Law in the Public Interest, by Timothy Hogan, Mark Kwiat, Elisa Warner,
16 David Lundgreen, Cathy LaTona, Sarretta Parrault, Mark Sequeira, Cathy Lopez,
17 Michael Apergis, Marshal Green, Charlie Henson, Jennifer Duffany, Christopher
18 Labban, Bruce Jones and Dale Borger. There were a number of limited appearances.

19 The Arizona Corporation Commission has considered the grant by the Power
20 Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP
21 and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition,
22 that documentary evidence was presented regarding the need for the Santan Expansion
23 Project. Credible testimony was presented concerning the local generation deficiency in
24 Arizona and the need to locate additional generation within the East Valley in order to
25 minimize transmission constraints and ensure reliability of the transmission grid. The
evidence included a study that assessed the needs of the East Valley. The analysis

1 found that the East Valley peak load currently exceeds the East Valley import capability
2 and within the next 5 years the East Valley load will exceed the load serving capability.

3 Additional testimony was presented regarding SRP's projected annual 3.7% load
4 growth in its service territory. By 2008, SRP will need approximately 2700 MW to meet
5 its load. This local generation plant will have power available during peak periods for
6 use by SRP customers.

7 At the conclusion of the hearing and deliberations, the Committee, having
8 received and considered the Application, the appearance of Applicant and all
9 intervenors, the evidence, testimony and exhibits presented by Applicant and all
10 intervenors, the comments made by persons making limited appearances and the
11 comments of the public, and being advised of the legal requirements of Arizona Revised
12 Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to
13 grant Applicant the following Certificate of Environmental Compatibility (Case No. L-
14 00000B-00-0105):

15 Applicant and its assignees are granted a Certificate of Environmental
16 Compatibility authorizing the construction of an 825 megawatt generating facility
17 consisting of three combined cycle units with a total net output of 825 megawatts
18 together with related infrastructure and appurtenances, in the Town of Gilbert, on
19 Applicant's existing Santan Generating Station site, and related switchyard and
20 transmission connections, as more specifically described in the Application (collectively,
21 the "Project"). Applicant is granted flexibility to construct the units in phases, with
22 different steam turbine configurations, and with different transmission connection
23 configurations, so long as the construction meets the general parameters set forth in the
24 application.
25

1 This certificate is granted upon the following conditions:

- 2 1. Applicant shall comply with all existing applicable air and water pollution
3 control standards and regulations, and with all existing applicable
4 ordinances, master plans and regulations of the State of Arizona, the
5 Town of Gilbert, the County of Maricopa, the United States, and any other
6 governmental entities having jurisdiction.

7 **Status ~ An amended Aquifer Protection Permit (APP) was issued with**
8 **an effective date of April 6, 2005.**

9 ***SRP and RWCD are close to finalizing the Water Discharge Operating***
10 ***Agreement. Both parties are expected to sign the agreement very soon***
11 ***as final approval was pending receipt of the amended APP Permit. The***
12 ***Operating Agreement is necessary so that SRP access to the RWCD***
13 ***outfall can be utilized for sampling and monitoring as stipulated in the***
14 ***APP permit. The RWCD outfall is where the water discharges from the***
15 ***SRP pipeline into the RWCD canal.***

- 16 2. This authorization to construct the Project will expire five (5) years from
17 the date the Certificate is approved by the Arizona Corporation
18 Commission unless construction of the Project is completed to the point
19 that the project is capable of operating at its rated capacity; provided,
20 however, that Applicant shall have the right to apply to the Arizona
21 Corporation Commission for an extension of this time limitation.

22 **Status ~ Unit 5 (the 2-on-1 units) began commercial operation on April**
23 **1, 2005. Unit 6 remains on schedule for commercial operation by April**
24 **30, 2006.**

- 25 3. Applicant's project has two (2) approved transmission lines emanating
from its power plant's transmission switchyard and interconnecting with
the existing transmission system. This plant interconnection must satisfy
the single contingency criteria (N-1) without reliance on remedial action
such as a generator unit tripping or load shedding.

Status ~ SRP has completed the activity required by this condition.

4. Applicant shall use reasonable efforts to remain a member of WSCC, or
its successor, and shall file a copy of its WSCC Reliability Criteria
Agreement or Reliability Management System (RMS) Generator
Agreement with the Commission.

Status ~ SRP is currently a member of the WECC, the successor to the
WSCC, and plans to continue its membership with the WECC.

5. Applicant shall use reasonable efforts to remain a member of the
Southwest Reserve Sharing Group, or its successor.

1 ***Status ~ SRP is currently a member of the Southwest Reserve Sharing***
2 ***Group and plans to continue its membership.***

- 3 6. Applicant shall meet all applicable requirements for groundwater set forth
4 in the Third Management Plan for the Phoenix Active Management Area.

5 ***Status ~ SRP is in compliance with all requirements for groundwater, as***
6 ***set forth in the Third Management Plan for the Phoenix Active***
7 ***Management Area.***

- 8 7. With respect to landscaping and screening measures, including the
9 improvements listed in the IGA, Applicant agrees to develop and
10 implement a public process consistent with the process chart (Exhibit 89)
11 presented during the hearings, modifying the dates in the IGA with the
12 Town of Gilbert, if necessary, to correspond with the schedule in Exhibit
13 89.

14 The new Community Working Group (CWG) will consist of 12 members,
15 selected as follows: one member selected by the Town of Gilbert, four
16 members selected by neighborhood homeowner associations, four
17 representatives selected by intervenors, and three members selected by
18 SRP (not part of the aforementioned groups) who were part of the original
19 community working group. Applicant and landscaping consultants shall
20 act as advisors to the CWG. CWG meetings shall be noticed to and be
21 open to the general public. The initial meeting shall take place on an
22 evening or weekend in the Town of Gilbert.

23 The objective of the CWG shall be to refine the landscaping and mitigation
24 concept plans submitted during these hearings (Exhibit 88). The CWG shall
25 work to achieve appropriate visual mitigation of plant facilities and to
26 facilitate the design and installation of the concept plan components so as to
27 maximize the positive impact on the community and to increase, wherever
28 possible, the values of the homes in the neighboring areas. The refinement
29 of the mitigation plans shall be reasonably consistent with the planning
30 criteria of the Town of Gilbert, the desires of neighboring homeowner
31 associations, and the reasonable needs of Applicant.

32 Applicant shall retain an independent facilitator, acceptable to the CWG, to
33 conduct the CWG meetings. It shall be the role of the facilitator to assist in
34 initial education and in conducting an orderly and productive process. The
35 facilitator may, if necessary, employ dispute resolution mechanisms.

36 The CWG shall also assist in establishing reasonable maintenance
37 schedules for landscaping of Applicant's plant site in public-view areas.

38 Applicant will develop with the Town of Gilbert a continuous fund, to be

administered by the Town of Gilbert, to provide for the construction and maintenance of off-site landscaping in the areas depicted in the off-site landscaping concepts as developed by the CWG in an amount sufficient to fund the concepts in Exhibit 88 or concepts developed by the CWG, whichever is greater.

Status ~

Onsite Landscaping Program ~

SRP has completed nearly all of the landscaping at the site. The only work not completed involves the northeast area and the southeast corner of the project site that must be left available for construction access or installation of underground utilities associated with the plant construction and final work in the "Trails Area". Landscaping work in the northeast and southeast areas will be completed following the completion of Unit 6 construction.

In the "Trails Area" to the east of the power plant, work is almost complete. The "Trails Area" includes a horse trail, unpaved equestrian resting areas complete with benches for the horse's rider, and a shared use path, surrounded by decorative masonry walls, path lighting, and new plantings of trees and shrubs.

Home Owners' Association (HOA) Offsite Landscaping Program ~

SRP has completed the initial funding for this program, providing a one-time payment to eighteen HOAs in the area for use in providing additional landscaping to help mitigate views of the power plant. SRP will make annual payments to the HOAs for twenty years for off-site landscaping maintenance. SRP provided the first maintenance payment for each HOA in August 2004.

Individual County Landscaping Program ~

SRP has completed this program.

8. The visual mitigation efforts shall be in general compliance with the plans and concepts presented in these proceedings and constitute a commitment level by Applicant. Applicant will not reduce the overall level of mitigation as set forth in its Application and this proceeding, except as may be reasonably changed during the CWG process. The Town of Gilbert shall approve the plans agreed to by the CWG.

Status ~ SRP has satisfied the visual mitigation requirements as initially set forth in the Application and the proceeding and further refined and expanded during the CWG process. SRP's mitigation efforts also include the items specified in the SRP/Town of Gilbert Intergovernmental Agreement.

9. Applicant shall, where reasonable to do so, plant on site trees by the fall of 2001. Because planting of trees must await the improvement of Warner Road and the design and construction of berms, this condition will largely

1 apply to trees on the East side of the site, and some of the trees on the
2 North side. All landscaping will be installed prior to the installation of major
3 plant equipment such as, but not limited to, exhaust stacks, combustion
4 turbines, and heat recovery steam generators, except where delays are
5 reasonably necessary to facilitate construction activities.

6 ***Status ~ As noted in condition 7, nearly all of the landscaping work at
7 the site has been completed. Following the completion of Unit 6
8 construction, SRP will complete the landscaping work in the northeast
9 area and the southeast corner of the project site.***

- 10 10. Applicant shall operate the Project so that during normal operations the
11 Project shall not exceed the most restrictive of applicable (i) HUD residential
12 noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City
13 of Tempe standards. Additionally, construction and operation of the facility
14 shall comply with OSHA worker safety noise standards. Applicant agrees
15 that it will use its best efforts to avoid during nighttime hours construction
16 activities that generate significant noise. Additionally, Applicant agrees to
17 comply with the standards set forth in the Gilbert Construction Noise
18 Ordinance, Ordinance No. 1245, during construction of the project. In no
19 case shall the operational noise level be more than 3 db above background
20 noise as of the noise study prepared for this application. The Applicant shall
21 also, to the extent reasonably practicable, refrain from venting between the
22 hours of 10:00 p.m. and 7:00 a.m.

23 ***Status ~ SRP remains in compliance with all applicable noise guidelines
24 and standards. Throughout construction of the project, SRP has taken
25 noise readings at various locations along the plant boundary three
times per week to ensure compliance with noise guidelines and
standards. Additional noise testing is conducted during nighttime
construction activities, such as concrete pours. This process will
continue until the commercial operation of Unit 6.***

***Unit 5 began commercial operation on April 1, 2005 and plant personnel
are conducting additional off-site noise testing on a weekly basis during
the month of April. The noise tests are being taken at 8 p.m. at the three
sites designated by the Santan Neighborhood Committee (SNC) on the
north, east and south sides of the plant boundaries. The SNC
committee is responsible for establishing the locations, timing and
frequency of the noise tests. Following the first month of weekly noise
tests, the tests will be extended to a monthly basis. Once several
months of noise data have been collected, the SNC expects that noise
tests will be conducted on a quarterly basis. The weekly noise data for
April will be reviewed at the May 25th SNC meeting. For more
information on the SNC, please refer to condition 19.***

- 25 11. Applicant will work with the Gilbert Unified School District to assist it in
converting as many as possible of its school bus fleet to green diesel or
other alternative fuel, as may be feasible and determined by Gilbert Unified

1 School District, and will contribute a minimum of \$330,000 to this effort.

2 **Status ~ SRP has completed the activity required by this condition.**

- 3 12. Applicant shall actively work with all interested Valley cities, including at a
4 minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a
5 Major Investment Study through the Regional Public Transit Authority to
6 develop concepts and plans for commuter rail systems to serve the growing
7 population of the East Valley. Applicant will contribute a maximum of
8 \$400,000 to this effort.

9 **Status ~ Phase 2 of the Gilbert Transportation Study (the Gilbert Bicycle
10 & Pedestrian Plan) is 98% complete. The Gilbert Transportation Study
11 was developed to integrate with the Maricopa Association of
12 Government's (MAG) Transit Study. Final comments from the Technical
13 Advisory Committee (TAC) on the report have been incorporated in the
14 Plan. The draft Development Guidelines document was prepared and
15 submitted to the Town of Gilbert for final comments. A presentation
16 describing the Plan and Development Guidelines was made to the
17 Gilbert Planning and Zoning Commission and Gilbert Park Advisory
18 Commission the first week of March 2005.**

- 19 13. Within six months of approval of this Order by the Arizona Corporation
20 Commission, Applicant shall either relocate the gas metering facilities to the
21 interior of the plant site or construct a solid wall between the gas metering
22 facilities at the plant site and Warner Road. The wall shall be of such
23 strength and size as to deflect vehicular traffic (including a fully loaded
24 concrete truck) that may veer from Warner Road to the gas-metering site.

25 **Status ~ SRP has completed the activity required by this condition.**

- 1 Applicant will use only SRP surface water, CAP water or effluent water for
2 cooling and power plant purposes. The water use for the plant will be
3 consistent with the water plan submitted in this proceeding and acceptable
4 to the Department of Water Resources. Applicant will work with the Town of
5 Gilbert to attempt to use available effluent water, where reasonably feasible.

6 **Status ~ SRP's ability to store CAP water during the first quarter of 2005
7 was curtailed due to releases to the Salt River below Granite Reef Dam.
8 The delivery channel for the Granite Reef Underground Storage Project
9 (GRUSP) crosses the Salt River and was washed out by the high flows.
10 The delivery channel is currently being repaired and deliveries to
11 GRUSP should commence in May. SRP will increase its monthly
12 deliveries to GRUSP for the next several months to make up for the
13 outage period.**

14 **To date, SRP has delivered a total of 50,191 acre feet of CAP water to
15 GRUSP for future use at the Santan Expansion Project (SEP) via
16 recovery from any SRP owned wells (Association or District) and**

1 *delivered to SEP from the Eastern Canal (or onsite District wells). Even*
2 *with the GRUSP outage, SRP continues to be ahead of its storage*
3 *schedule and projects that SRP will continue to store CAP water in*
4 *GRUSP through 2011 for recovery and use at Santan. Since Unit 5*
5 *began commercial operation on April 1, 2005, SRP surface water or CAP*
6 *water is being utilized for the plant's operation.*

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15. Applicant agrees to comply with all applicable federal, state and local regulations relative to storage and transportation of chemicals used at the plant.

Status ~ SRP is in compliance with all applicable federal, state and local regulations relative to storage and transportation of chemicals used at the plant.

16. Applicant agrees to maintain on file with the Town of Gilbert safety and emergency plans relative to emergency conditions that may arise at the plant site. On at least an annual basis Applicant shall review and update, if necessary, the emergency plans. Copies of these plans will be made available to the public and on Applicant's web site. Additionally Applicant will cooperate with the Town of Gilbert to develop an emergency notification plan and to provide information to community residents relative to potential emergency situations arising from the plant or related facilities. Applicant agrees to work with the Gilbert police and fire departments to jointly develop on site and off-site evacuation plans, as may be reasonably appropriate. This cooperative work and plan shall be completed prior to operation of the plant expansion.

Status ~ SRP does and will continue to comply with all safety standards including secondary containment for bulk materials (chemicals) and development of evacuation procedures for plant personnel. A detailed copy of the response plan is available at the Town of Gilbert Fire Department as well as with the State Emergency Response Commission (SERC) and the Maricopa County Local Emergency Planning Committee (LEPC).

17. In obtaining air offsets required by EPA and Maricopa County, Applicant will use its best efforts to obtain these offsets as close as practicable to the plant site.

Status ~ SRP acquired emission reduction credits from the Phoenician and Oak Canyon Manufacturing sufficient to satisfy the 72 ton VOC offset requirement contained in the Santan air quality permit. In addition, SRP, in cooperation with the Maricopa County Department of Transportation, has obtained sufficient PM10 offsets for Unit 5 by paving roads in the east valley, starting with roads closest to the plant site. The Maricopa County Department of Transportation will complete all paving necessary to meet SRP's air offset requirements for Unit 6 prior to the unit becoming operational.

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18. In order to reduce the possibility of generation shortages and the attendant price volatility that California is now experiencing, SRP will operate the facilities consistent with its obligation to serve its retail load and to maintain a reliable transmission system within Arizona.

Status ~ SRP's first priority in operating its generating stations, transmission system and distribution system is to safely supply a reliable, low cost source of power to its retail customers. The Santan Expansion Project will be operated in the same manner as current resources and is a significant element in SRP's plans to avoid the kind of price volatility that accompanied the California crisis.

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19. Beginning upon operation of the new units, Applicant will establish a citizens' committee, elected by the CWG, to monitor air and noise compliance and water quality reporting. Applicant will establish on-site air and noise monitoring facilities to facilitate the process. Additionally Applicant shall work with Maricopa County and the Arizona Department of Environmental Quality to enhance monitoring in the vicinity of the plant site in a manner acceptable to Maricopa County and the Arizona Department of Environmental Quality. Results of air monitoring will be made reasonably available to the public and to the citizens' committee. Applicant shall provide on and off-site noise monitoring services (at least on a quarterly basis), testing those locations suggested by the citizens' committee. The off-site air monitoring plan shall be funded by the Applicant and be implemented before operation of the plant expansion.

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Status ~ The Santan Neighborhood Committee (SNC) met in February and March to receive training on how to interpret environmental data (air, noise, and water quality), and to discuss the status of Santan Unit 5 and organizational issues. The committee discussed the proposed bylaws provided to the SNC by SRP. The SNC Chairman will provide a final draft of the bylaws to the committee for further discussion and approval at the next scheduled meeting on May 25, 2005.

As mentioned in SRP's response to condition 10, plant personnel are conducting off-site noise testing on a weekly basis during April. The noise tests are being taken at 8 p.m. at the three sites designated by the SNC (north, east and south sides of the plant boundaries). Following the first month of weekly noise tests, the tests will be extended to a monthly basis. Once several months of noise data have been collected, the noise tests are expected to be conducted on a quarterly basis. The noise data will be reviewed at the May 25th SNC meeting. The SNC committee is responsible for establishing the locations, timing and frequency of the noise tests.

A newsletter was mailed out in April to residents living within a .5 mile radius of the plant. The newsletter addresses the commercial operation

1 ***of Unit 5 as well as announcing the formation of the Santan***
2 ***Neighborhood Committee. The newsletter is included as Appendix A.***

- 3 20. Applicant will explore, and deploy where reasonably practicable, the use of
4 available technologies to reduce the size of the steam plumes from the unit
5 cooling towers. This will be a continuing obligation throughout the life of the
6 plant.

7 ***Status ~ SRP explored the option of reduced plume cooling towers via***
8 ***the specification and bidding process for this equipment but found the***
9 ***limited availability, prohibitive cost and additional height requirements***
10 ***of the plume abatement technology to supersede the potential benefits***
11 ***at this time. SRP will continue to monitor cooling tower technology.***

- 12 21. SRP will, where practicable, work with El Paso Natural Gas Company to use
13 the railroad easements for the installation of the new El Paso gas line.

14 ***Status ~ SRP's current plans are to sell the SEP lateral to a third party.***
15 ***SRP sent out a Request for Expression of Interest (Requests for***
16 ***Interest) in late July 2004 to various parties that might be interested in***
17 ***purchasing the lateral. SRP has narrowed its selection to two***
18 ***proposals and is currently reviewing those two parties' proposals.***

- 19 22. Other than the Santan/RS 18 lines currently under construction, Applicant
20 shall not construct additional Extra High Voltage transmission lines (115kV
21 and above) into or out of the Santan site, including the substation on the site.

22 ***Status ~ SRP has no plans to construct additional Extra High Voltage***
23 ***transmission lines (no new circuits 115kv and above) into or out of the***
24 ***Santan site or substation on the site. However, some of the existing***
25 ***circuits may be bundled in the future as required.***

- 26 23. Applicant will replace all Town of Gilbert existing street sweepers with
27 certified PM10 efficient equipment. A PM10 efficient street sweeper is a
28 street sweeper that has been certified by the South Coast Air Quality
29 Management District (California) to comply with the District's performance
30 standards under its Rule 1186 (which is the standard referenced by the
31 Maricopa Association of Governments).

32 ***Status ~ SRP has completed the activity required by this condition.***

- 33 24. Applicant shall work in a cooperative effort with the Office of Environmental
34 Health of the Arizona Department of Health Services to enhance its
35 environmental efforts.

36 ***Status ~ A representative of the Arizona Department of Health Services***
37 ***serves on the Santan Neighborhood Committee. The representative's***
38 ***role is to provide technical assistance and expertise to the citizens***

1 ***committee mentioned in condition 19. Such assistance will cover air,***
2 ***noise, and water quality issues.***

- 3 25. Applicant shall operate, improve and maintain the plant consistent with
4 applicable environmental regulations and requirements of the Environmental
5 Protection Agency, the Arizona Department of Environmental Quality,
6 Maricopa County and the Town of Gilbert.

7 ***Status ~ SRP has an environmental management system (EMS)***
8 ***designed to assure compliance with applicable laws and regulations.***
9 ***The Santan Generating Station is integrated in the SRP EMS.***
10 ***Procedures and Environmental Information Management Systems***
11 ***(EIMS) have been modified to incorporate the new requirements***
12 ***associated with the Santan Expansion Project. Plant personnel***
13 ***responsible for meeting environmental compliance have received***
14 ***training on the new requirements and a formal audit will be conducted***
15 ***within one year of plant startup.***

- 16 26. Applicant shall actively work in good faith with Maricopa County in its efforts
17 to establish appropriate standards relative to the use of distillate fuels in
18 Valley generating facilities.

19 ***Status ~ SRP has completed the activity required by this condition.***

- 20 27. Applicant shall install continuous emission monitoring equipment on the new
21 units and will make available on its website emissions data from both the
22 existing and new units according to EPA standards. Applicant shall provide
23 information to the public on its website in order to assist the public in
24 interpreting the data, and provide viable information in a reasonable time
25 frame.

Status ~ SRP has installed continuous emission monitoring equipment
 on the new units. SRP is currently developing the presentation
 materials and graphics for the emissions data that will be posted on the
 Santan Website. Tentative plans are to begin posting the emissions
 data for the existing and new units on the website beginning in July,
 2005.

28. Applicant will comply with the provisions of the Intergovernmental
 Agreement dated April 25, 2000 between Applicant and the Town of Gilbert,
 as modified pursuant to this Certificate.

Status ~ There are eight SRP obligations noted on the IGA. The status
 of each obligation is as follows:

Improvements to Warner Road and Val Vista Road ~ These
 improvements are complete.

1 **Screening of the Plant** ~ All of the screening, with the exception of the
2 northeast area and the southeast corner of the project site, is complete.
3 The two areas of the site remaining to be landscaped must be left
4 available for construction access and installation of underground
5 utilities associated with the power plant construction. Screening in
6 these areas will be completed upon completion of Unit 6 construction.

7 **Trail Extension** ~ In the "Trails Area" to the east of the power plant,
8 work is almost complete. The "Trails Area" includes a horse trail,
9 unpaved equestrian resting areas complete with benches for the
10 horse's rider, and a shared use path, surrounded by decorative
11 masonry walls, path lighting, and new plantings of trees and shrubs.

12 **Rerouting of Canal at Ray Road** ~ This canal modification is complete.

13 **Training Tower Removal** ~ This training tower was removed in the fall of
14 2000.

15 **Revegetation Along New RS 18 Line** ~ SRP has restored any vegetation
16 damaged or destroyed along the RS 18 line as a result of the
17 construction of the line.

18 **Dust Control Along Canals** ~ SRP is in compliance with applicable PM-
19 10 standards along SRP canal banks.

20 **Offsite Tree Planting** ~ The offsite landscaping programs are complete.
21 See Condition 7 status for more details.

- 22 29. During the proceeding neighbors to the plant site raise significant concern
23 about the impact of the plant expansion on residential property values. In
24 performing each of the conditions in this order Applicant, in conjunction
25 where applicable, with the Town of Gilbert and the plant site neighbors, shall
26 consider and attempt to maximize the positive effect of its activities on the
27 values of the homes in the surrounding neighborhoods.

28 **Status** ~ SRP has invested \$20 million in community and site
29 improvements, including extensive landscaping to ensure compatibility
30 with the community. Conditions 7, 9 and 28 address SRP's
31 comprehensive landscaping plan that was developed by SRP's
32 landscape architect and approved by the CWG. Almost all of the
33 landscaping at the project site has been completed and funding for off-
34 site landscaping has been completed as well. The landscaping
35 provides attractive features and was designed to maximize the positive
36 effect on the surrounding neighborhoods.

- 37 30. Applicant shall construct the auxiliary boiler stack at such height as may be
38 determined by air modeling requirements. Applicant shall situate the
39 auxiliary boiler stack so that it is not visible from off the plant site.

1 **Status ~ This condition is no longer applicable as SRP has decided not**
2 **to use an auxiliary boiler so no auxiliary boiler stack will be necessary.**

- 3 31. Applicant will construct the heat recovery steam generators ("HRSG")
4 approximately 15 feet below grade and will construct the HRSGs so that the
5 overall height of the HRSG module from the natural grade is no more than
6 80 feet.

7 **Status ~ SRP has completed the activity required by this condition.**

- 8 32. Applicant will complete the installation of the dry low NOX burners on the
9 existing units prior to the construction of the new units.

10 **Status ~ SRP has completed the activity required by this condition.**

- 11 33. Applicant shall not transfer this Certificate to any other entity for a period of
12 20 years from the date of approval by the Corporation Commission, other
13 than as part of a financing transaction where operational responsibilities will
14 remain with Applicant, and where Applicant will continue to operate the plant
15 in accordance with this Certificate.

16 **Status ~ SRP has no plans to transfer this Certificate to another entity.**

- 17 34. Applicant shall post on its website, when its air quality permit application is
18 submitted to the Maricopa County Environmental Services Department.
19 Also, Applicant shall post on its website any official notice that may be
20 required to be posted in newspapers for its air quality permit application.

21 **Status ~ SRP has completed the activity required by this condition.**

22 GRANTED this ____ day of February, 2001

23 ARIZONA POWER PLANT AND TRANSMISSION
24 LINE SITING COMMITTEE

25 _____
By Paul A. Bullis
Its Chairman

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 In the matter of the Application of Salt)
4 River Project Agricultural Improvement and)
5 Power District in conformance with the)
6 requirements of Arizona Revised Statutes)
7 Sections 40-360-03 and 40-360.06, for a)
8 Certificate of Environmental Compatibility)
9 authorizing the Expansion of its Santan)
10 Generating Station, located at the intersection)
11 of Warner Road and Val Vista Drive,)
12 in Gilbert, Arizona, by adding 825 megawatts)
13 of new capacity in the form of three combined)
14 cycle natural gas units, and associated)
15 intraplant transmission lines.)
16 _____)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

17 The Arizona Corporation Commission (Commission) has conducted its review, as
18 prescribed by A.R.S. §40-360.07. Pursuant to A.R.S. §40-360.07(B), the Commission,
19 in compliance with A.R.S. §40-360.06, and in balancing the broad public interest, the
20 need for an adequate, economical and reliable supply of electric power with the desire
21 to minimize the effect thereof on the environment and ecology of the state;

22 The Commission finds and concludes that the Certificate of Environmental
23 Compatibility should be granted upon the additional and modified conditions stated
24 herein.

- 25 35. The Santan Expansion Project shall be required to meet the Lowest
Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen
Oxides (Nox), Volatile Organic Carbons (VOCs), and particulate Matter
less than ten micron in aerodynamic diameter (PM10). The Santan
Expansion Project shall be required to submit an air quality permit
application requesting this LAER to the Maricopa County Environmental
Services Department.

**Status ~ On February 10, 2003 the Maricopa County Environmental
Services Department issued an air quality permit for the Santan
Expansion Project. The air permit mandates the following Lowest
Achievable Emission Rates (LAER):**

- CO – 2 ppm w/o duct firing; 2 ppm w/ duct firing
- NOx – 2 ppm w/o duct firing; 2 ppm w/ duct firing
- VOC – 1 ppm w/o duct firing; 2 ppm w/ duct firing
- PM10 - .01 lb/mmBtu

36. Due to the plant's location in a non-attainment area, the Applicant shall not use diesel fuel in the operation of any combustion turbine or heat recovery steam generator located at the plant.

Status ~ Since the issuance of the ACC order for the SEP Certificate of Environmental Compatibility, SRP has not burned diesel fuel in the existing Santan generating units. The new generating units associated with the SEP will not have diesel fuel-burning capability.

On March 3, 2004, the Maricopa County Environmental Services Department issued a revision to SRP's air quality permit to allow for the use of ultra low sulfur fuel as an emergency fuel in the existing units. The conditions in the air quality permit are identical to the requirements for emergency fuels contained in Maricopa County's new air quality rule for existing power plants (Rule 322), with the exception of the requirement that SRP use ultra low sulfur fuel rather than low sulfur fuel. In addition, the revised air permit includes a separate condition stating that SRP cannot use the fuel unless previously authorized by the ACC. SRP will continue to fully comply with Condition 36 of the CEC that prohibits the use of diesel fuel in any Santan unit unless amended by the ACC on an emergency basis at some future time.

37. In obtaining emissions reductions related to Carbon Monoxide (CO) emissions, Applicant shall, where technologically feasible, obtain those emission reductions onsite to the Santan Expansion Project.

Status ~ SRP has completed the activity required by this condition.

38. Beginning upon commercial operation of the new units, Applicant shall conduct a review of the Santan Generating facility operations and equipment every five years and shall, within 120 days of completing such review, file with the Commission and all parties in this docket, a report listing all improvements which would reduce plant emissions and the costs associated with each potential improvement. Commission Staff shall review the report and issue its findings on the report, which will include an economic feasibility study, to the Commission within 60 days of receipt. Applicant shall install said improvements within 24 months of filing the review with the Commission, absent an order from the Commission directing otherwise.

Status ~ SRP will comply with the requirement for a review of technology that will reduce plant emissions every 5 years after commercial operation of the new units and will report such findings to the Commission and all parties in this docket.

- 1 39. Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on
2 an annual basis, thus improving the overall safety of pipelines throughout
3 the State of Arizona.

4 **Status ~ In March 2005, a check for \$20,000 was sent to the Arizona**
5 **Corporation Commission, for deposit in the Pipeline Safety Revolving**
6 **Fund. This check satisfies compliance with this condition for the year**
7 **ending April 30, 2005. A copy of the transmittal letter to Mr. Alan**
8 **Bohnenkamp, Interim Director of Pipeline Safety for the Arizona**
9 **Corporation Commission, is included as Appendix B. Subsequent**
10 **checks will be distributed in the March/April timeframe each year.**

- 11 40. Where feasible, Applicant shall strive to incorporate local and in-state
12 contractors in the construction of the three new generation units for the
13 expansion project.

14 **Status ~ Every effort has been made to incorporate local contractors for**
15 **this project. Over one hundred-eleven local or in-state contractors have**
16 **been engaged on jobs completed or in progress.**

- 17 41. Applicant shall construct a 10-foot high block wall surrounding the
18 perimeter of the Santan plant, and appropriately landscape the area
19 consistent with the surrounding neighborhood, unless otherwise agreed to
20 by the Salt River Project and the Citizens Working Group.

21 **Status ~ SRP has completed the activity required by this condition.**

22 **APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION**
23 **COMMISSION**

24 Chairman _____

25 Commissioner _____

Commissioner _____

In Witness hereof, I, Brian C. McNeil,
Executive Secretary of the Arizona
Corporation Commission, set my hand
and cause the official seal of this
Commission to be affixed this ____ day
of _____, 2001.

By: _____
Brian C. McNeil
Executive Secretary

Dissent: _____

APPENDIX A

Energy News



April 2005

No. 14

Useful information for the Gilbert community



SANTAN FACTS

- ◆ SRP's expansion of the Santan Generating Station brings 825 megawatts of new electricity to the Southeast Valley, where energy demand continues to increase because of rapid growth. The power facility is near the southeast corner of Val Vista and Warner roads.
- ◆ By locating new generation sources close to areas of demand, SRP can continue to provide low-cost, reliable electricity for its customers. Local generation helped forestall widespread outages during last summer's tight power situation.
- ◆ The new units feature state-of-the-art, combined-cycle technology and use only natural gas. Once in commercial operation, the units will be available to operate 24/7.
- ◆ SRP has invested \$20 million in community and site improvements, including extensive landscaping to ensure compatibility with the community.

Editor's note: This is the fourteenth issue of Energy News. Visit www.santanfacts.org or call us at (602) 236-2679 for previous Energy News issues or for more information about the project.

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05-0675-01 04/05

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NEW UNITS READY FOR COMMERCIAL OPERATION

The first Santan Expansion Project units soon will be ready to provide reliable power to SRP electric customers in the Southeast Valley.

SRP staff anticipates commercial operation in April for the 2-on-1 units, which feature two combustion turbines and one steam turbine. This combined-cycle technology allows for SRP to achieve the maximum amount of energy production from the amount of fuel consumed.

Commercial generation follows a number of months of what is referred to as start-up, which includes the process of testing the various components of the units and ensuring the different equipment parts operate in coordination.

Completed phases of start-up involved fueling the combustion turbines with natural gas and verifying the integrity of the steam piping. Physical observations and checks of each piece of equipment, system, hardware, pipe and wire as well as start-up of the remaining systems also have been accomplished.

The final phase of start-up included restarting units for tuning, further testing and steam turbine operation. Upon completion of these tests, the 2-on-1 units are ready for full commercial operation.

The final Santan Expansion Project unit still is under construction and is scheduled for commercial operation by summer 2006. Start-up activities for this unit are expected to begin in fall 2005.

SITE BEAUTIFICATION, LANDSCAPING ALMOST COMPLETE

SRP's comprehensive effort to ensure that the Santan Expansion Project is compatible with the surrounding community is nearly complete.

Landscaping amenities include a 25-foot-high berm on the north and west boundaries, which features mature trees, decorative gabion walls and low-water-use ground cover plants. More than 1,200 trees have been planted on the 20-acre expansion project site.

Site beautification and landscaping components address feedback and recommendations SRP has received from Gilbert-area residents.

The only work not completed involves the northeast area and the southeast corner of the project site. They must be left available for construction access or installation of underground utilities associated with the plant construction and final work in the "Trails Area." Landscaping work in these areas will be completed in 2007.

TRAILS AREA WILL PROVIDE ENJOYMENT FOR ALL

One of the byproducts of the Santan Expansion Project will be the community's "pathways to progress" on the new "Trails Area" to the east of the generating facility site.

The "Trails Area" includes both equestrian and bike trails, unpaved equestrian resting areas complete with benches for the horse's rider, and a shared use path, surrounded by decorative masonry walls, path lighting, and new plantings of trees and shrubs.

The feature links neighborhoods north of the facility to recreational opportunities at the Town of Gilbert's Crossroads Park and SRP's canal system. When complete, the trail will connect to the Santan Vista Trail.

Additionally, a 10-foot high screening wall and a footbridge over the Eastern Canal were constructed along with this project.

NEIGHBORHOOD COMMITTEE OVERSEES MONITORING ACTIVITIES

In conjunction with its Santan Expansion Project, SRP has established a local citizens committee to ensure the facility complies with environmental standards.

The Santan Neighborhood Committee (SNC) will review noise compliance, air and water quality data that SRP is required to report periodically to state and federal agencies.

SRP has established an air monitoring facility to aid the process. Results of air monitoring will be made reasonably available on a regular basis to the SNC and then on the Web site to the public. SRP also is providing off-site noise monitoring to test locations suggested by the SNC.

The SNC is composed of designees from homeowners associations in the area as well

as a representative from the Town of Gilbert, Maricopa County Air Quality Division and the Arizona Department of Health Services, plus an engineer who resides in Gilbert.

The SNC had its inaugural meeting Sept. 8, 2004, and toured the Santan plant site and expansion project Jan. 15, 2005. The SNC has had three additional meetings this spring during which members were trained regarding air emission data, decibel levels and water discharge limits. The committee now is autonomous and self-governing; it's anticipated the SNC will meet quarterly.

To stay up-to-date on SEP activities or sign up for e-mail updates, visit

www.santanfacts.org and click of "Stay Informed." If you have questions, contact SRP at webmaster@santanfacts.org.

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APPENDIX B

SALT RIVER PROJECT

P. O. Box 52025
Phoenix, AZ 85072-2025
(602) 236-5262
Fax (602) 236-3458
kjibarr@srpnet.com

KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

March 9, 2005

Mr. Alan Bohnenkamp
Interim Director, Pipeline Safety Section
Arizona Corporation Commission
2200 N. Central Ave., Suite #300
Phoenix, Arizona 85004

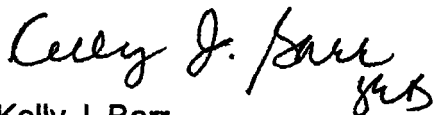
Dear Mr. Bohnenkamp:

On May 1, 2001 the Commission granted SRP a Certificate of Environmental Compatibility (CEC) for the Santan Expansion Project in Decision Number 63611. Condition 39 of the CEC decision requires that "Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on an annual basis, thus improving the overall safety of pipelines throughout the State of Arizona."

In our continued compliance with that provision, SRP is submitting a check in the amount of \$20,000, made payable to the Arizona Corporation Commission, for deposit in the Pipeline Safety Revolving Fund. This check should fully satisfy compliance with Condition 39 for the year ending April 30, 2005.

Please feel free to contact me if you have additional questions or concerns.

Sincerely,



Kelly J. Barr

Enc.

cc: Docket Control
Barry Drost, Manager, Santan Generating Station